

Message Text

CONFIDENTIAL

PAGE 01 KUALA 01915 030458Z

15

ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

ACDA-07 MC-02 EB-07 OMB-01 TRSE-00 AID-05 COME-00

/078 W

----- 042109

R 020801Z APR 76

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 2995

INFO AMEMBASSY SINGAPORE

C O N F I D E N T I A L KUALA LUMPUR 1915

NOFORN

E.O. 11652: GDS

TAGS: MASS MY

SUBJ: ALLEGATIONS RE SALE OF AIRCRAFT TO MALAYSIA

REF: (A) KUALA LUMPUR 0388 (B) STATE 035867

SUMMARY: MARCH 31 PRIME MINISTER DEFENDED PURCHASE OF F-5E'S USING FMS CREDITS IN ANSWER TO WRITTEN QUESTIONS IN PARLIAMENT. QUESTIONS WERE BASED ON STORY CARRIED FAR EASTERN ECONOMIC REVIEW ALLEGING NORTHROP PAID BRIBES TO OBTAIN CONTRACT. CASE NOW RECEIVING WIDE PUBLICITY, AND WE CONCERNED THAT WE MAY HAVE MINI-LOCKHEED ON OUR HANDS. INITIALLY NORTHROP REFUSED TO SUPPLY INFORMATION TO GOM INVESTIGATORS RE LARGE COMMISSIONS IT HAD ALLEGEDLY PAID LOCAL AGENT BUT WE UNDERSTAND IT HAS NOW AGREED TO ANSWER WRITTEN QUESTIONS. WE BELIEVE IT WOULD BE A MISTAKE FOR NORTHROP TO GIVE LESS THAN FULLEST COOPERATION TO GOM INVESTIGATION. END SUMMARY.

1. ON MARCH 31 PRIME MINISTER HUSSEIN REPLIED TO WRITTEN QUESTIONS IN PARLIAMENT REGARDING THE PURCHASE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KUALA 01915 030458Z

OF 14 F-5E'S AND TWO F-5B'S BY GOM UNDER U.S. FOREIGN

MILITARY SALES CREDITS. QUESTIONS WERE BASED ON JANUARY 16 STORY (REFTEL A) IN FAR EASTERN ECONOMIC REVIEW (FEER) ALLEGING LARGE COMMISSIONS WERE PAID BY NORTHROP TO MALAYSIAN COMPANY SHARIKAT BUMIPUTRA WHICH HAS SEVERAL POLITICIANS AND SENIOR CIVIL SERVANTS (THERE ARE NO CONFLICT OF INTEREST LAWS HERE) AMONG ITS STOCKHOLDERS. STORY ALSO ALLEGED THAT BRIBES HAD BEEN PAID TO AT LEAST ONE ROYAL MALAYSIAN AIR FORCE (RMAF) OFFICER. STORY WAS DATE-LINED WASHINGTON AND KUALA LUMPUR AND MUCH OF IT APPEARED TO BE BASED ON NEWS LEAKS FROM HEARINGS OF SENATE SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS.

2. GOVERNMENT-INFLUENCED NEW STRAITS TIMES (NST) REPORTED THAT IN REPLY TO QUESTION WHY GOM HAD BOUGHT F-5'S, PRIME MIN DEFENDED PURCHASE SAYING GOVERNMENT MADE DECISION IN 1971-72 TO BUY JET FIGHTERS TO REPLACE AUSTRALIAN-BUILT SABRES (F-86'S); F-5E CHOSEN AFTER STUDIES OF VARIOUS AIRCRAFT BECAUSE OF ITS OPERATIONAL CAPABILITIES, AND LOW CAPITAL AND MAINTENANCE COSTS; LOGISTICS SUPPORT CONSIDERATIONS ALSO TAKEN INTO ACCOUNT; ALL PURCHASES BY THE ARMED FORCES MADE STRICTLY IN ACCORDANCE WITH TREASURY INSTRUCTIONS AND CIRCULARS. HE SAID THAT \$39.24 MILLION CONTRACT FOR 16 AIRCRAFT, SPARE PARTS AND AUXILIARY GROUND EQUIPMENT HAD BEEN SIGNED DIRECTLY WITH USG ON JUNE 30, 1972. (NOTE: OUR INFORMATION IS THAT THE AGREEMENT WAS FOR US\$42 MILLION, INCLUDING TRANSPORTATION.)

3. NST ALSO REPORTED ANSWERS GIVEN BY DEPUTY DEFENSE MINISTER MOKHTAR HASHIM TO SUPPLEMENTARY QUESTIONS. ASKED WHETHER GOM HAD CONTACTED CHURCH SUBCOMMITTEE FOR INFORMATION REGARDING FEER ALLEGATIONS, MOKHTAR SAID GOM WOULD USE ALL MEANS AT ITS DISPOSAL TO INVESTIGATE ALLEGED PAYOFFS. IN RESPONSE TO ANOTHER QUESTION, MOKHTAR SAID HE WAS UNABLE TO DISCLOSE RESULTS OF THE INVESTIGATION BECAUSE IT WAS STILL UNDERWAY. HE DENIED THAT SALE "WENT THROUGH COMPANY CALLED SHARIKAT BUMIPUTRA." WHEN ASKED FOR NAMES OF DIRECTORS
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KUALA 01915 030458Z

OF SHARIKAT BUMIPUTRA AND INFORMATION ABOUT THEIR POLITICAL AND GOVERNMENTAL CONNECTIONS, SPEAKER OF PARLIAMENT REFUSED ALLOW QUESTIONS ON GROUNDS INFORMATION ALREADY PUBLICLY AVAILABLE FROM REGISTRAR OF COMPANIES.

4. SAME DAY MFA UNDER SECRETARY (POLITICAL) KHOR ENG HEE WARNED DCM THAT F-5 ISSUE WAS JUST ABOUT TO BE DISCUSSED IN

PARLIAMENT. HE SAID THERE WAS SOME SENSITIVITY IN HIS MINISTRY TO QUESTION BECAUSE DEPUTY SECRETARY GENERAL (ECONOMIC) ZAINAL ABIDIN, FORMERLY AMBASSADOR IN MANILA, WAS SHAREHOLDER IN SHARIKAT BUMIPUTRA.

5. AS BACKGROUND TO ABOVE, TWO WEEKS AGO LOCAL NORTHP REPRESENTATIVE TOLD US HE HAD BEEN APPROACHED BY GOM INVESTIGATORS ASKING FOR INFORMATION ABOUT COMMISSIONS PAID BY NORTHP TO SHARIKAT BUMIPUTRA. NORTHP REP SAID HE HAD BEEN AUTHORIZED BY HOME OFFICE TO TELL INVESTIGATORS THAT COMPANY HAD NO KNOWLEDGE OF PAYMENTS TO ANY GOM OFFICIALS. COMPANY INITIALLY REFUSED TO GIVE INFORMATION CONCERNING COMMISSIONS ON GROUNDS INFORMATION "CONSIDERED CONFIDENTIAL", BUT WE UNDERSTAND IS NOW PREPARED TO ANSWER WRITTEN REQUESTS FOR INFORMATION.

6. AS DEPARTMENT AWARE (REFTEL B), MINDEF HAS ASKED US FOR COPIES OF CHURCH SUBCOMMITTEE REPORTS BUT AFTER CHECKING WITH YOU WE HAVE REPLIED THAT TRANSCRIPTS OF HEARING NOT YET PUBLISHED.

7. IN RESPONSE TO INQUIRY FROM ASSOCIATED PRESS REP, WE HAVE ACKNOWLEDGED THAT GOM HAS ASKED US FOR HEARING REPORTS WHICH WE HAVE NOT BEEN ABLE TO SUPPLY AND GAVE AP MAN CERTAIN AMOUNT OF BACKGROUND REGARDING WAY IN WHICH FMS CALES ARE HANDLED.

8. COMMENT: WE MAY HAVE MINI-LOCKHEED ON OUR HANDS. NORTHP REP CLAIMS NO BRIBERY INVOLVED AND WE HAVE NO REASON TO DOUBT HIS WORD. ON OTHER HAND, NORTHP'S INITIAL ACTION IN REFUSING TO SUPPLY INFORMATION ABOUT AMOUNT OF COMMISSIONS PAID TO LOCAL CONFIDENTIAL

CONFIDENTIAL

PAGE 04 KUALA 01915 030458Z

COMPANY CERTAINLY RAISED SUSPICIONS ABOUT THE PROPRIETY OF ITS ACTIONS. REAL QUESTION, IF GOM DECIDED TO PURSUE IT, IS HOW MUCH MONEY PAID TO LOCAL AGENTS, WHAT AGENTS DID TO EARN THAT MONEY, AND HOW WAS MONEY USED. FEER ALLEGES THAT NORTHP DIRECTLY AND INDIRECTLY PAID SHARIKAT BUMIPUTRA SME US \$600,000.

9. DESPITE POTENTIAL EMBARRASSMENT FOR NORTHP AND WORSE THAN EMBARRASSMENT FOR ITS LOCAL AGENT, WE BELIEVE IT WOULD BE A MISTAKE FOR COMPANY GO GIVE LESS OR APPEAR TO GIVE LESS THAN FULLEST COOPERATION TO LEGITIMATE INVESTIGATORS. FURTHERMORE, USG REPUTATION TANGENTIALLY INVOLVED AS NORTHP HAS MADE POINT USG APPROVED AMOUNTS OF COMMISSIONS IN FMS CONTRACT.

UNDERHILL

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, BRIBERY, ALLEGATIONS, MILITARY SALES, JET AIRCRAFT
Control Number: n/a
Copy: SINGLE
Draft Date: 02 APR 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KUALA01915
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760126-0363
From: KUALA LUMPUR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197604104/aaaadlqo.tel
Line Count: 170
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: NOFORN
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: NOFORN
Reference: 76 KUALA LUMPUR 388, 76 STATE 35867
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 28 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 MAY 2004 by greeneet>; APPROVED <23 SEP 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ALLEGATIONS RE SALE OF AIRCRAFT TO MALAYSIA
TAGS: MASS, MY, US, NORTHROP
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006